

IRS commuter benefits

As a result of the American Taxpayer Relief Act of 2012 (HR 8), Federal law allows employers three ways to reduce the cost of commuting via public transportation (bus, train, ferry or registered vanpool) or qualified parking for employees. Companies can offer employees:

1. a tax-free employer-paid subsidy
2. a pre-tax employee-paid payroll deduction, or
3. a combination of the above (shared employee- employer-paid)

Tax-exempt and pre-tax limits are set by the IRS. The following are the limits for the 2013 tax year:

- \$130 per employee per month for vanpool, bus, ferry, rail (all public transportation) (decrease from \$245 in 2013)
- \$250 per employee per month for qualified parking (increased from \$245 in 2013, or
- \$380 per month per employee for both public transportation and qualified parking (decreased from \$490 in 2013)

When the employee pays part or all of the cost of public transportation via a pre-tax payroll deduction, the employee can set aside up to \$130 a month of pre-tax income. The employee saves federal withholding and FICA payroll taxes on the amount deducted. The employer saves paying FICA on the amount deducted. Employees may also share the cost with employers using after tax income. Pre-tax payroll deductions are referenced in the Internal Revenue Code, Section 132(F), as amended by TEA-21, Title IX, Section 910.

Please check with your tax advisor.

To review the IRS' Employer Tax Guide to Fringe Benefits, go to: <http://www.irs.gov/pub/irs-pdf/p15b.pdf>